招商局置地有限公司
CHINA MERCHANTS LAND LIMITED

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(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 978)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board (the "Board") of directors (the "Directors") of China Merchants Land Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the period from 1 January 2017 to 30 June 2017 together with the comparative figures for the period from 1 January 2016 to 30 June 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
		(unaudited)	(unaudited)
	Notes	**RMB'000**	RMB'000
Revenue	*4*	**4,872,150**	3,333,401
Cost of sales		**(3,755,387)**	(2,623,662)
Gross profit		**1,116,763**	709,739
Other income		**100,148**	61,168
Net foreign exchange gains (losses)		**76,878**	(54,496)
Selling and marketing expenses		**(118,759)**	(101,577)
Administrative expenses		**(53,887)**	(53,352)
Fair value changes on derivative financial instruments	*12*	**27,057**	(32,686)
Share of profits (losses) of associates		**147,158**	(1,731)
Share of losses of joint ventures		**(4,998)**	(5,468)
Finance costs	*5*	**(161,738)**	(97,250)
Profit before tax	*7*	**1,128,622**	424,347
Income tax expense	*6*	**(457,231)**	(213,021)
Profit for the period		**671,391**	211,326

	Notes	Six months ended 30 June **2017** **(unaudited)** **RMB'000**	 2016 (unaudited) RMB'000
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		**(4,675)**	7,194
Profit and total comprehensive income for the period		**666,716**	218,520
Profit for the period attributable to:			
Owners of the Company		**287,821**	50,501
Non-controlling interests		**383,570**	160,825
		671,391	211,326
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**283,146**	57,695
Non-controlling interests		**383,570**	160,825
		666,716	218,520
Earnings per share			
Basic (RMB cents)	9	**5.87**	1.03
Diluted (RMB cents)	9	**5.37**	1.03

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	At 30 June 2017 (unaudited) RMB'000	At 31 December 2016 (audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**76,194**	61,913
Investment properties		**1,226,718**	801,159
Goodwill		**160,210**	160,210
Interests in associates		**340,143**	192,985
Interests in joint ventures		**862,346**	108,644
Available-for-sale investments		**18,750**	–
Other receivables		**745,791**	745,791
Deferred tax assets		**533,794**	500,662
		3,963,946	2,571,364
CURRENT ASSETS			
Properties for sale		**33,431,909**	32,035,534
Deposit paid for acquisitions of land use rights		**1,788,670**	1,275,940
Trade and other receivables	*10*	**7,813,065**	6,307,077
Tax recoverable		**236,416**	329,080
Derivative component of convertible bonds	*12*	**114,603**	116,451
Bank balances and cash		**6,935,329**	5,810,922
		50,319,992	45,875,004
CURRENT LIABILITIES			
Deposits received in respect of pre-sale of properties		**12,450,005**	10,350,183
Trade and other payables	*11*	**9,278,530**	6,060,389
Loans from equity holders		**6,900,588**	6,443,021
Tax payable		**225,376**	624,925
Bank and other borrowings		**2,625,800**	2,572,000
Convertible bonds	*12*	**1,713,740**	–
Derivative component of convertible bonds	*12*	**45,157**	–
		33,239,196	26,050,518
NET CURRENT ASSETS		**17,080,796**	19,824,486
TOTAL ASSETS LESS CURRENT LIABILITIES		**21,044,742**	22,395,850

	Notes	At 30 June 2017 (unaudited) RMB'000	At 31 December 2016 (audited) RMB'000
NON-CURRENT LIABILITIES			
Loans from equity holders		**208,961**	207,374
Other payables		**17,922**	14,748
Bank and other borrowings		**2,717,870**	2,705,590
Bonds payable		**3,363,986**	3,426,732
Convertible bonds	*12*	**–**	1,714,915
Derivative component of convertible bonds	*12*	**–**	73,044
Deferred tax liabilities		**157,287**	145,477
		6,466,026	8,287,880
NET ASSETS		**14,578,716**	14,107,970
CAPITAL AND RESERVES			
Share capital		**39,132**	39,132
Reserves		**6,041,460**	5,954,284
Equity attributable to owners of the Company		**6,080,592**	5,993,416
Non-controlling interests		**8,498,124**	8,114,554
TOTAL EQUITY		**14,578,716**	14,107,970

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2017

1. GENERAL INFORMATION

China Merchants Land Limited (the "Company", together with its subsidiaries, collectively referred to as the "Group") is incorporated in the Cayman Islands as a limited liability company and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the interim report.

The principal activities of the Group are development and sales of property, property leasing and sales of electronic and electrical related products and building related materials and equipment.

The condensed consolidated financial information is presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed consolidated financial information have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Except as disclosed below, the accounting policies used in the condensed consolidated financial information for the six months ended 30 June 2017 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016.

Available-for-sale financial assets

Available-for-sale ("AFS") financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss ("FVTPL").

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Dividend on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Impairment loss on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period.

For an AFS equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment. Impairment losses on AFS equity investments are recorded in profit or loss in the period in which they are incurred.

Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current interim period, the Group has applied, for the first time, the following amendments ("new and revised HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2017.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle: Amendments to HKFRS 12
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

Except as described below, the application of the new and revised HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial information.

Amendments to HKAS 7 Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfil the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The application of amendments to HKAS 7 results in additional disclosures on the Group's financing activities, especially reconciliation between the opening and closing balances for liabilities arising from financing activities. The Group will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017. On initial application of the amendments, the Group is not required to provide comparative information for preceding periods.

4. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments, which requires operating segments to be identified on the basis of internal report about the components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") in order to allocate resources to segments and to assess their performance. The CODM is the Company's executive directors.

For the management purpose, the Group is currently organised into the following two operating and reportable segments: (i) development and sales of properties and property leasing ("Properties Segment"); and (ii) sales of electronic and electrical related products and building related materials and equipment ("Trading Segment").

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments.

	Trading Segment RMB'000	Properties Segment RMB'000	Consolidated RMB'000
For the six months ended 30 June 2017 (unaudited)			
Segment revenue – external customers	**–**	**4,872,150**	**4,872,150**
Segment results	**–**	**1,122,256**	**1,122,256**
Unallocated net foreign exchange gains			**76,882**
Unallocated finance costs			**(112,562)**
Unallocated interest income			**25,075**
Fair value changes on derivative financial instruments, net			**27,057**
Unallocated corporate expenses			**(10,086)**
Profit before tax			**1,128,622**

	Trading Segment RMB'000	Properties Segment RMB'000	Consolidated RMB'000
For the six months ended 30 June 2016 (unaudited)			
Segment revenue – external customers	–	3,333,401	3,333,401
Segment results	(73)	587,971	587,898
Unallocated net foreign exchange losses			(54,771)
Unallocated finance costs			(63,599)
Unallocated interest income			887
Fair value changes on derivative financial instruments, net			(32,686)
Unallocated corporate expenses			(13,382)
Profit before tax			424,347

There were no inter-segment sales for both periods.

Segment results represent the profit earned by each segment without allocation of unallocated corporate expenses, fair value changes on derivative financial instruments, net, certain finance costs, certain interest income and certain net foreign exchange gains (losses). This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

5. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Interest on:		
– bank and other borrowings	**128,254**	102,665
– loans from an intermediate holding company	**6,270**	14,532
– loans from non-controlling equity holders of subsidiaries of the Group	**101,010**	56,431
– bonds	**79,405**	81,891
– convertible bonds *(note 12)*	**44,568**	40,480
Total borrowing costs	**359,507**	295,999
Less: Amount capitalised in the cost of qualifying assets	**(197,769)**	(198,749)
	161,738	97,250

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	RMB'000	RMB'000
The charge comprises:		
PRC Enterprise Income Tax		
– Current period	**279,391**	93,071
Land appreciation tax ("LAT")	**199,162**	74,421
	478,553	167,492
Deferred tax	**(21,322)**	45,529
	457,231	213,021

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit in Hong Kong for both reporting periods.

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the statutory EIT rate of the subsidiaries incorporated in the PRC is 25%. Further, 5% or 10% withholding income tax is generally imposed on dividends relating to profits earned by PRC entities that are owned by non-PRC entities within the Group.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use right and all property development expenditures.

7. PROFIT BEFORE TAX

The Group's profit before tax has been arrived at after charging (crediting):

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Employee benefits expense (including directors' remuneration):		
Salaries and allowances	**106,081**	70,330
Pension scheme contributions	**17,569**	15,256
Total staff costs	**123,650**	85,586
Less: Amount capitalised to properties for sale	**(47,283)**	(45,703)
	76,367	39,883
Gross rental income from investment properties	**(40,999)**	(1,967)
Less: Direct operating expenses incurred	**42,812**	786
	1,813	(1,181)
Cost of properties for sale recognised as an expense	**3,755,387**	2,623,662
Depreciation of property, plant and equipment	**4,571**	2,609
Depreciation of investment properties	**19,340**	458
Gain on disposals of property, plant and equipment	**(15)**	–

8. DIVIDEND

During the current period, a final dividend of HK$0.045 (2016: HK$0.005) per ordinary share in respect of the year ended 31 December 2016 was declared and paid to the shareholders of the Company. The aggregate amount of final dividend paid from the share premium of the Company and paid during the current period amounted to approximately RMB195,970,000 (2016: RMB20,438,000).

During the period ended 30 June 2017, a subsidiary of the Group declared dividends of approximately RMB17,008,000 (2016: RMB39,336,000) to its shareholders, of which none (2016: approximately RMB19,683,000) was paid to its non-controlling equity holders.

No interim dividend was paid, declared or proposed during the six months ended 30 June 2017, nor has any dividend been proposed since the end of the interim reporting period (2016: Nil).

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Earnings		
Earning for the purpose of basic earnings per share, being profit for the period attributable to owners of the Company	**287,821**	50,501
Effect of dilutive potential ordinary shares:		
– Fair value changes on convertible bonds	**(27,057)**	32,686
– Interest on convertible bonds	**44,568**	40,480
Earnings for the purpose of diluted earnings per share	**305,332**	123,667

	At 30 June 2017 (unaudited) '000	At 30 June 2016 (unaudited) '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,905,258**	4,905,258
Effect of dilutive potential ordinary shares:		
– Convertible bonds	**780,976**	752,874
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,686,234**	5,658,132
Basic earnings per share (RMB cents)	**5.87**	1.03
Diluted earnings per share (RMB cents)	**5.37**	1.03

The computation of diluted earnings per share for the six months ended 30 June 2016 did not assume the conversion of the Group's convertible bonds since its exercise would result in an increase in earnings per share.

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2017 (unaudited) RMB'000	At 31 December 2016 (audited) RMB'000
Trade receivables *(note a)*	**1,153**	2,163
Other receivables		
Prepaid LAT	**615,527**	453,376
Other prepaid non-income tax	**357,110**	387,785
Other receivables and prepayments	**754,546**	582,238
Amount due from an intermediate holding company	**526**	337
Amounts due from non-controlling equity holders of subsidiaries of the Group	**2,910,743**	2,828,108
Amounts due from fellow subsidiaries	**10,964**	12,779
Amounts due from associates	**530,393**	714,787
Amounts due from joint ventures	**2,632,103**	1,325,504
	7,811,912	6,304,914
	7,813,065	6,307,077

Note:

(a) Trade receivables mainly arise from Trading Segment and Properties Segment. The Group's credit terms with its trade customers are generally 0 to 30 days. The Group seeks to maintain strict control over its outstanding receivables in order to minimise credit risk. Overdue balances are reviewed regularly by senior management. Considerations in respect of properties sold are paid in accordance with the terms of the related sales and purchase agreements, normally within 60 days from the date of agreement.

The ageing analysis of trade receivables at the end of the reporting period, based on the invoice date, is as follows:

	At 30 June 2017 (unaudited) RMB'000	At 31 December 2016 (audited) RMB'000
90 days or less	**306**	575
91 to 365 days	**38**	–
Over 365 days	**809**	1,588
	1,153	2,163

11. TRADE AND OTHER PAYABLES

	At 30 June 2017 (unaudited) RMB'000	At 31 December 2016 (audited) RMB'000
Trade payables *(note a)*		
– Trading Segment	**1,324**	2,039
– Properties Segment	**2,747,429**	2,396,871
	2,748,753	2,398,910
Other payables		
Other non-income tax payables	**34,845**	28,439
Other payables and accrued charges	**445,258**	420,970
LAT payable	**1,459,484**	1,413,270
Amount due to an intermediate holding company	**100,368**	82,926
Amounts due to non-controlling equity holders of subsidiaries of the Group	**446,774**	288,170
Amounts due to fellow subsidiaries	**2,506,417**	25,714
Amount due to a joint venture	**290,400**	173,800
Amount due to an associate	**284,200**	266,159
Dividend payable to non-controlling equity holder	**962,031**	962,031
	6,529,777	3,661,479
	9,278,530	6,060,389

Note:

(a) The following is an aged analysis of trade payables, based on the invoice date, at the end of the reporting period:

	At 30 June 2017 (unaudited) RMB'000	At 31 December 2016 (audited) RMB'000
0 to 60 days	**847,549**	1,418,012
61 to 180 days	**501,196**	156,757
181 to 365 days	**898,652**	189,009
Over 365 days	**501,356**	635,132
	2,748,753	2,398,910

12. CONVERTIBLE BONDS

On 23 June 2015, the Company's wholly-owned subsidiary, Cosmos Boom Investment Limited ("Cosmos") issued 0.50% convertible bonds ("CBs") which were due on 23 June 2020 with an aggregate principal amount of US$290,000,000. The CBs were denominated in United States dollars ("US$") and entitle the holders to convert them into ordinary shares of the Company at the initial conversion price of HK$2.9875 per share with fixed exchange rate of HK$7.7559 equal to US$1.00 at any time on or after 2 August 2015 and thereafter up to the close of business on the tenth day prior to the maturity date or if such CBs shall have been called for redemption by Cosmos before maturity date, then up to and including the close of business on a date no later than 15 days prior to the date fixed for redemption thereof. The conversion price of the CBs was adjusted to HK$2.8800 per share with effect from 10 May 2017, pursuant to the terms and conditions of the CBs, as a result of the approval by the shareholders of the final dividend of HK$0.045 per share for the year ended 31 December 2016. Unless previously redeemed, converted, purchased and cancelled, all CBs outstanding on maturity date shall be repaid by Cosmos at its principal amount outstanding on maturity date plus accrued interest. Cosmos may, on giving not less than 30 nor more than 90 days' notice to bondholders at any time on or after 23 December 2016 prior to the maturity date redeem all the outstanding CBs in whole at the outstanding principal amount and accrued interest. The bondholders have the right to require the Group to redeem all or some of the CBs on 23 June 2018 afterwards at their principal amount together with accrued and unpaid interest to the respective dates fixed for redemption.

At the issue date, the CBs were bifurcated into liability, equity and derivative components. The equity element is presented in equity under "Convertible bonds equity reserve". The effective interest rate of the liability component is 5.196% per annum.

The movements of the liability, equity and derivatives components of the CBs and the reconciliation of Level 3 fair value measurement during the reporting period are set out below:

	Liability component of CBs	Derivative financial assets of CBs	Derivative financial liabilities of CBs	Equity component of CBs	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2016 (audited)	1,533,339	(168,570)	72,675	414,329	1,851,773
Changes in fair value	–	36,955	(4,269)	–	32,686
Imputed interest expense *(note 5)*	40,480	–	–	–	40,480
Interest paid	(4,738)	–	–	–	(4,738)
Exchange translation	33,017	(3,017)	1,476	–	31,476
As at 30 June 2016 (unaudited)	1,602,098	(134,632)	69,882	414,329	1,951,677
As at 1 January 2017 (audited)	1,714,915	(116,451)	73,044	414,329	2,085,837
Changes in fair value	–	(882)	(26,175)	–	(27,057)
Imputed interest expense *(note 5)*	44,568	–	–	–	44,568
Interest paid	(4,982)	–	–	–	(4,982)
Exchange translation	(40,761)	2,730	(1,712)	–	(39,743)
As at 30 June 2017 (unaudited)	**1,713,740**	**(114,603)**	**45,157**	**414,329**	**2,058,623**

No CBs were converted into ordinary shares of the Company during the six months ended 30 June 2017 and 2016. No redemption, purchase or cancellation by the Company or Cosmos has been made in respect of the CBs during the six months ended 30 June 2017 and 2016. As at 30 June 2017, the principal amount of the CBs that remained outstanding amounted to US$290,000,000 of which a maximum amount of 780,976,041 shares (31 December 2016: 752,873,974 shares) may fall to be issued upon their conversions, subject to adjustments provided in the terms of the CBs.

13. ACQUISITION OF SUBSIDIARIES ACCOUNTED FOR AS ASSETS ACQUISITION

(i) On 18 August 2016, the Company entered into an agreement (the "Agreement") with China Merchants Properties Development Limited ("CMPD"), a subsidiary of China Merchants Shekou Industrial Zone Holdings Co., Ltd. ("CMSK"), an intermediate holding company of the Company, to acquire the entire equity interest of Coming Wealth Limited ("Coming Wealth"), a subsidiary of CMPD, and all outstanding shareholder loan of approximately HK$281,125,000 (equivalent to approximately RMB251,467,000) owing by Coming Wealth to CMPD at the date of completion of the aforesaid acquisition for a total consideration of approximately HK$505,000,000 (equivalent to approximately of RMB452,000,000) (the consideration is subject to adjustment as defined in the Agreement but capped at HK$506,000,000 (equivalent to approximately RMB452,891,000)) (the "Coming Wealth Acquisition"). The adjusted consideration was approximately HK$504,000,000 (equivalent to approximately RMB451,101,000) which was paid by cash. The Coming Wealth Acquisition was completed on 5 January 2017. Upon completion, the Company holds a 100% equity interest in Coming Wealth, which became a wholly-owned subsidiary of the Company.

Coming Wealth is principally engaged in property investment in Hong Kong and up to the date of acquisition, Coming Wealth has not carried out any significant business transaction except for holding certain completed properties in Hong Kong. The Coming Wealth Acquisition has been accounted for by the Group as acquisition of assets.

Net assets of Coming Wealth acquired:

	RMB'000
Other receivables	435
Investment properties	451,722
Bank balances and cash	126
Other payables	(1,182)
Shareholder loan	(251,467)
	199,634
Satisfied by:	
Cash consideration for	
Shareholder loan	251,467
Entire equity interest of Coming Wealth	199,634
	451,101
Net cash outflow arising from acquisition	
Cash paid	(451,101)
Less: Bank balances and cash acquired	126
	(450,975)

(ii) On 15 April 2016, the Group acquired 60% equity interest of Poly Field International Investments Limited ("Poly Field") from an independent third party for a cash consideration of RMB437,058,300. Poly Field and its sole wholly-owned subsidiary was incorporated and operated in the PRC (the "Poly Field Group"). The directors of the Company are of the opinion that the acquisition of Poly Field is in substance an asset acquisition instead of a business combination, as the net assets of Poly Field was mainly a piece of land recording under properties for sale under development and Poly Field was inactive prior to the acquisition by the Group.

Net assets of Poly Field Group acquired:

	RMB'000
Plant and equipment	2
Properties for sale under development	655,789
Bank balances and cash	77,090
Other payables	(4,451)
	728,430
Non-controlling interests	(291,372)
	437,058
Satisfied by:	
Cash consideration	437,058
Net cash outflow arising from acquisition	
Cash paid	(437,058)
Less: Bank balances and cash acquired	77,090
	(359,968)

The non-controlling interests in Poly Field Group recognised at the acquisition date was measured by reference to the proportionate share of net assets of Poly Field Group and amounted to approximately RMB291,372,000.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW ANALYSIS

In the first half of 2017, China maintained a moderate to high-speed growth in its domestic economy and recorded a 6.9% year-on-year increase in its GDP, as the country deepened the supply-side structural reform and hence accelerated the transformation based on industrial orientation. To restrain unreasonable housing demand and the excessive surge of housing prices, the government sustained and intensified its regulatory policies that had started from the fourth quarter of 2016. Multiple cities intensively introduced the tightening measures centered on "restricting housing purchases, loans, prices and sales", together with fresh control measures such as "public tendering for self-owned residential housing" and "restriction on converting commercial projects to residential housing". Such intensive regulation and control slowed down the growth in sales volume and revenue of commercial properties.

FINANCIAL REVIEW

During the six months period ended 30 June 2017, profit amounted to RMB671,391,000 (2016: RMB211,326,000), representing an increase of approximately 218% as compared with the last corresponding period.

Profit attributable to the owners of the Company was RMB287,821,000 (2016: RMB50,501,000), representing an increase of approximately 470% as compared with the last corresponding period. The increase in profit and profit attributable to the owners of the Company during the six months period ended 30 June 2017 were primarily due to the reasons as stated below:

(i) a substantial increase in gross profit has been recorded attributable to the increase in the total gross floor area of properties completed and delivered for the six months period ended 30 June 2017 as compared to the last corresponding period;

(ii) a gain on investment has been recorded by Nanjing Shizhaoquansheng Property Company Limited* (南京世招荃晟置業有限公司), an associated company of the Company for the six months period ended 30 June 2017, as compared to an investment loss recorded in the last corresponding period;

(iii) an exchange gain has been recorded during the six months period 30 June 2017 attributable to the increase in value of Renminbi against United States Dollars in relation to the convertible bonds and bonds etc, as an exchange loss has been recorded during the last corresponding period;

(iv) a fair value gain on derivative financial instruments of approximately RMB27,057,000 was recognised to the profit or loss for the six months period ended 30 June 2017 as a result of the issuance of five-year term credit enhanced convertible bonds on 23 June 2015 by a wholly-owned subsidiary of the Company in an aggregate principal amount of US$290,000,000 bearing coupon rate of 0.5% per annum.

For the six months period ended 30 June 2017 the Group had no material exposure to fluctuations in exchange rates and no related hedges.

During the six month period ended 30 June 2017, basic earnings per share was RMB5.87 cents (2016: RMB1.03 cents), representing an increase of 470% as compared with the last corresponding period. The Group, together with its associated companies and joint ventures, had achieved an aggregate contracted sales amount of RMB13,398,000,000, representing an increase of 58% over that of the last corresponding period. Aggregate contracted sales area was 773,064 sq.m., as increased by 27% over that of the last corresponding period. The average selling price was approximately RMB17,331 per sq.m., representing an increase of 24% over the last corresponding period.

As at 30 June 2017, equity attributable to owners of the Company was RMB6,080,592,000, representing an increase of approximately 1.45% compared to the last financial year ended 31 December 2016 of RMB5,993,416,000.

Turnover

For the first half of 2017, the Group recorded turnover of RMB4,872,150,000 (2016: RMB3,333,401,000), representing a significant increase of approximately 46% as compared with that of the last corresponding period. Such an increase was attributable to the increase in the total gross floor area ("GFA") completed and delivered in the first half of 2017. For the first half of 2017, projects in Foshan, Guangzhou, Chongqing, Nanjing and Xi'an accounted for 24%, 6%, 6%, 44% and 20%, respectively, of the total revenue of the Group.

Gross Profit

Gross profit amounted to RMB1,116,763,000 (2016: RMB709,739,000), representing an increase of approximately 57% as compared to the last corresponding period. The gross profit margin of 23% had increased by 2 percentage points as compared with that of the last corresponding period (2016: 21%). For the first half of 2017 and 2016, over 60% of the recognised revenue were derived from projects with relatively low profit margin.

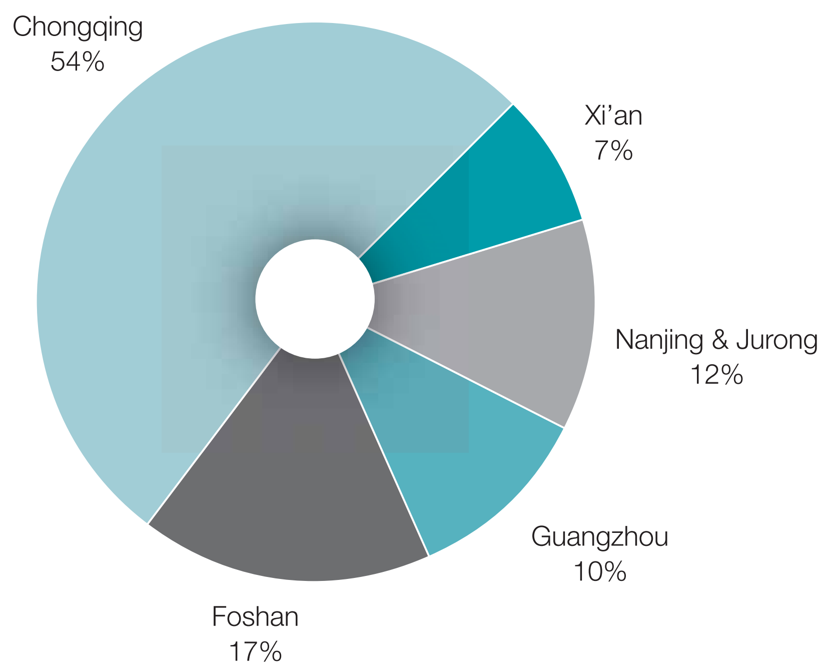
BUSINESS REVIEW

Property Development Business

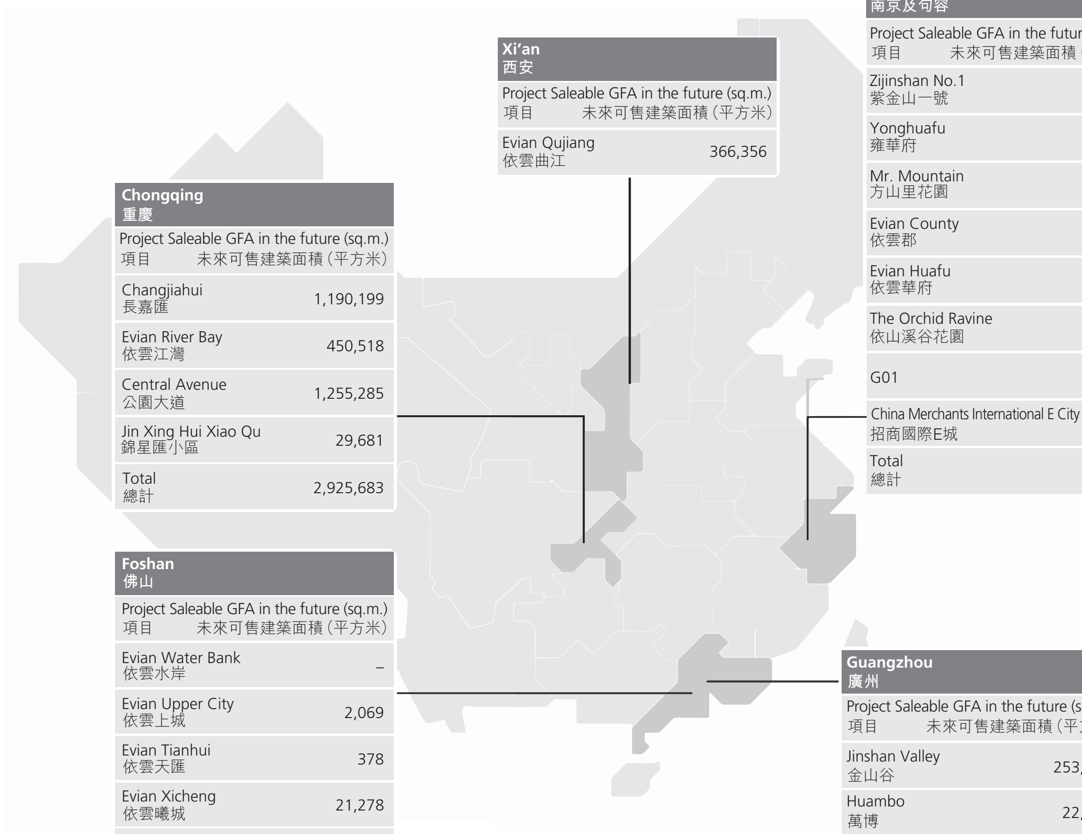
As at 30 June 2017, the Group's portfolio of property development projects consisted of 27 projects in Foshan, Guangzhou, Chongqing, Nanjing, Jurong and Xi'an, with a primary focus on the development of residential properties, as well as residential and commercial complex properties, products types including apartments, villas, offices and retail shops etc.

Below are the breakdown of land bank by cities and a map showing the geographic locations and the land bank of the projects of the Group in the PRC. The saleable GFA of the properties comprising the projects which had not been sold or pre-sold as at 30 June 2017 ("land bank") was 5,456,555 sq.m..

Land bank by cities as at 30 June 2017



A map showing the geographical location and land bank of the projects of the Group in the PRC as at 30 June 2017



Xi'an 西安

Project 項目	Saleable GFA in the future (sq.m.) 未來可售建築面積(平方米)
Evian Qujiang 依雲曲江	366,356

Chongqing 重慶

Project 項目	Saleable GFA in the future (sq.m.) 未來可售建築面積(平方米)
Changjiahui 長嘉匯	1,190,199
Evian River Bay 依雲江灣	450,518
Central Avenue 公園大道	1,255,285
Jin Xing Hui Xiao Qu 錦星匯小區	29,681
Total 總計	2,925,683

Nanjing and Jurong 南京及句容

Project 項目	Saleable GFA in the future (sq.m.) 未來可售建築面積(平方米)
Zijinshan No.1 紫金山一號	48,202
Yonghuafu 雍華府	279
Mr. Mountain 方山里花園	3,111
Evian County 依雲郡	12,637
Evian Huafu 依雲華府	219,189
The Orchid Ravine 依山溪谷花園	101,698
G01	166,775
China Merchants International E City 招商國際E城	92,269
Total 總計	644,160

Foshan 佛山

Project 項目	Saleable GFA in the future (sq.m.) 未來可售建築面積(平方米)
Evian Water Bank 依雲水岸	–
Evian Upper City 依雲上城	2,069
Evian Tianhui 依雲天匯	378
Evian Xicheng 依雲曦城	21,278
Park 1872 公園1872	215,289
China Merchants Land Centre 招商置地中心	172,743
Evian Yongjingwan 依雲雍景灣	81,875
Evian Huafu 依雲華府	79,899
Evian Gongguan 依雲公館	78,206
China Merchants Zhenyuan 招商臻園	91,855
Chencun Jinchang 陳村金錩	210,703
Total 總計	954,295

Guangzhou 廣州

Project 項目	Saleable GFA in the future (sq.m.) 未來可售建築面積(平方米)
Jinshan Valley 金山谷	253,456
Huambo 萬博	22,120
Zhaoshang Yongjing Wan (formerly known as "Sino-Singapore Guangzhou Knowledge City") 招商雍景灣(前稱「中新廣州知識城」)	290,485
Total 總計	566,061

The table below details the Group's property development projects as at 30 June 2017 which (i) had been completed, (ii) were under development, or (iii) were held for future development. All figures in relation to area are rounded up to the nearest whole number:

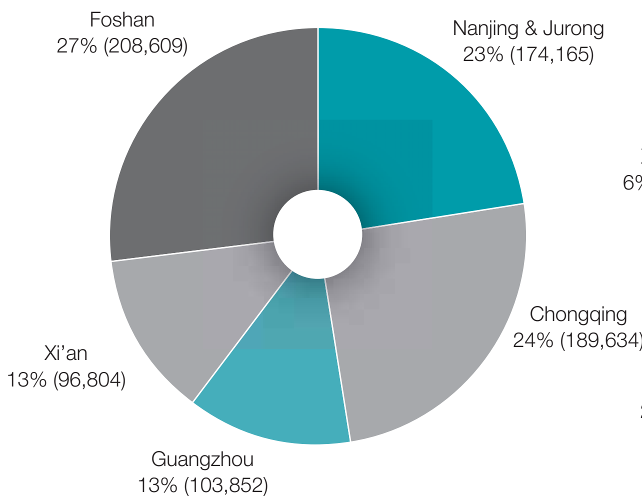
				Completed					Under development			Future development	
Project	The Company's attributable interest in the projects	Total GFA (sq.m.)	Land bank (sq.m.)	GFA completed (sq.m.)	Total GFA saleable/ rentable (sq.m.)	Of which sold and delivered (sq.m.)	Of which pre-sold but not yet delivered (sq.m.)	Of which not pre-sold/ held for inverstment (sq.m.)	GFA under development (sq.m.)	Total GFA saleable/ rentable (sq.m.)	Of which pre-sold (sq.m.)	Total GFA (sq.m.)	Total GFA saleable (sq.m.)
Foshan													
Evian Water Bank	50%	655,716	–	655,716	599,397	599,397	–	–	–	–	–	–	–
Evian Upper City	50%	355,992	2,069	355,992	319,965	317,896	–	2,069	–	–	–	–	–
Evian Tianhui	50%	301,818	378	301,818	271,940	271,563	–	378	–	–	–	–	–
Evian Xicheng	50%	438,393	21,278	438,393	398,707	359,922	9,689	29,096	–	–	–	–	–
Park 1872	100%	308,694	215,289	151,311	129,732	56,971	39,387	33,375	157,383	140,674	–	–	–
China Merchants Land Center	51%	222,684	172,743	132,439	120,656	15,971	7,589	97,096	90,245	75,725	–	–	–
Evian Yongjingwan	50%	233,852	81,875	120,500	105,821	49,336	3,372	53,113	113,352	100,922	72,159	–	–
Evian Huafu	50%	386,506	79,899	285,789	251,144	224,950	306	25,888	100,717	97,398	35,116	–	–
Evian Gongguan	55%	317,111	78,206	123,938	120,384	106,561	3,557	10,266	193,173	187,795	119,855	–	–
China Merchants Zhenyuan	50%	133,683	91,855	20,193	16,399	12,478	1,001	2,919	113,490	108,562	19,627	–	–
Chencun Jinchang	100%	228,703	210,703	–	–	–	–	–	228,703	210,703	–	–	–
Foshan subtotal		3,583,152	954,295	2,586,089	2,334,145	2,015,045	64,901	254,200	997,063	921,779	246,757	–	–
Guangzhou													
Jinshan Valley	100%	1,280,419	253,456	1,126,095	880,805	711,456	74,961	94,388	102,938	102,938	–	51,386	51,386
Huambo	51%	126,202	22,120	126,202	103,611	41,719	36,762	25,130	–	–	–	–	–
"haoshang Yongjing Wan (formerly known as "Sino-Singapore Guangzhou Knowledge City")"	60%	390,498	290,485	–	–	–	–	–	226,825	146,601	–	163,673	143,884
Guangzhou subtotal		1,797,119	566,061	1,252,297	984,416	753,175	111,723	119,518	329,763	249,539	–	215,059	195,270

Project	The Company's attributable interest in the projects	Total GFA (sq.m.)	Land bank (sq.m.)	Completed: GFA completed (sq.m.)	Total GFA saleable/ rentable (sq.m.)	Of which sold and delivered (sq.m.)	Of which pre-sold but not yet delivered (sq.m.)	Of which not pre-sold/ held for inverstment (sq.m.)	Under development: GFA under development (sq.m.)	Total GFA saleable/ rentable (sq.m.)	Of which pre-sold (sq.m.)	Future development: Total GFA (sq.m.)	Total GFA saleable (sq.m.)
Chongqing													
Changjiahui	50%	1,896,259	1,190,199	433,940	414,940	229,392	16,989	168,559	359,648	342,774	123,756	1,102,671	802,622
Evian River Bay	100%	533,692	450,518	165,473	155,297	56,595	12,604	86,098	–	–	–	368,219	364,419
Central Avenue	50%	1,546,633	1,255,285	192,659	188,133	69,679	60,522	57,933	613,276	602,451	143,760	740,698	738,661
Jin Xing Hui Xiao Qu	100%	97,839	29,681	–	–	–	–	–	97,839	97,043	67,362	–	–
Chongqing subtotal		4,074,423	2,925,683	792,072	758,370	355,666	90,115	312,590	1,070,763	1,042,268	334,878	2,211,588	1,905,702
Nanjing&Jurong													
Zijinshan No.1	51%	213,870	48,202	213,870	145,376	96,839	336	48,202	–	–	–	–	–
Yonghuafu	51%	179,048	279	179,048	151,764	151,484	–	279	–	–	–	–	–
Mr.Mountain	26%	75,051	3,111	75,051	59,026	55,309	607	3,111	–	–	–	–	–
Evian County	26%	212,974	12,637	212,974	167,561	148,146	6,778	12,637	–	–	–	–	–
Chian Merchants International E City	70%	232,572	92,269	135,094	124,956	123,185	–	1,772	97,478	90,497	–	–	–
Evian Huafu	50%	359,391	219,189	23,305	23,196	23,196	–	–	336,086	306,091	86,902	–	–
The Orchid Ravine	51%	345,855	101,698	89,377	76,111	69,257	258	6,597	256,478	199,998	104,897	–	–
G01	36%	221,112	166,775	–	–	–	–	–	221,112	166,775	–	–	–
Nanjing&Jurong subtotal		1,839,873	644,160	928,719	747,990	667,416	7,979	72,598	911,154	763,361	191,799	–	–
Xi'an													
Evian Qujiang	100%	538,534	366,356	172,592	172,592	166,837	–	5,755	67,452	66,552	–	298,490	294,049
Xi'an subtotal		538,534	366,356	172,592	172,592	166,837	–	5,755	67,452	66,552	–	298,490	294,049
Total		11,833,101	5,456,555	5,731,769	4,997,513	3,958,139	274,718	764,661	3,376,195	3,043,499	773,434	2,725,137	2,395,021

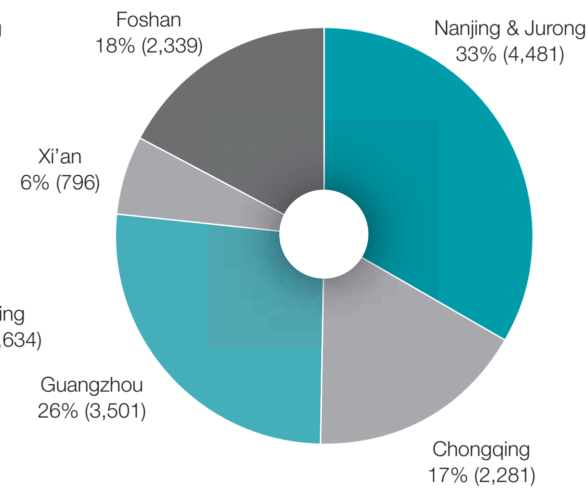
Contracted sales

For the first half of 2017, the Group, together with its associated companies and joint venture, recorded contracted sales of approximately RMB13,398,000,000 from five cities and the saleable area sold was approximately 773,064 sq.m..

First half of 2017
contracted sales in area by region (sq.m.)



First half of 2017
contracted sales amount by region (RMB million)



Newly Acquired Land Bank

The newly acquired lands controlled by the Group at 30 June 2017 are as follows:

Project	Total consideration *(RMB million)*	Total site area *(sq.m.)*	Total permissible area *(sq.m.)*	Average land premium *(RMB/sq.m.)*
Foshan Gaoming	135	60,122	90,183	1,500
Foshan Jiujiang	2,015	81,357	231,867	8,690
Chongqing Nanping	581	11,312	89,365	6,501
Foshan Sanshui	1,614	70,500	225,600	7,154

Electronic Trading Business and Property Related Procurement Business

The Group will balance the synergies in property related procurement business and the main business in property development business to determine the resources to be allocated to the trading procurement business.

FINANCIAL AND TREASURY MANAGEMENT PRINCIPLES

As at 30 June 2017, the net assets attributable to shareholders of the Group were approximately RMB6,080,592,000 (31 December 2016: RMB5,993,416,000).

As at 30 June 2017, bank balances and cash was RMB6,935,329,000 (31 December 2016: RMB5,810,922,000). In terms of currency denomination, bank balances and cash can be divided into RMB6,921,067,000 in Renminbi, RMB9,704,000 in US$ and RMB4,558,000 in Hong Kong dollars.

In June 2015, the Company's direct wholly-owned subsidiary completed the issuance of a guaranteed convertible bonds due in June 2020 (credit enhanced until July 2018) in the aggregate principal amount of US$290,000,000 bearing coupon rate at 0.50% per annum ("Convertible Bonds"). In December 2013, the Group completed the issuance of five-year term credit enhanced bonds in the aggregate principal amount of US$500,000,000 bearing coupon rate of 4.021% per annum ("Bond"). The rates of the Convertible Bonds and the Bond, which are fixed and unchanged during their subsisting period, bear simple interest rather than compound interest and the interest are payable half-yearly. Both the Convertible Bonds and the Bonds have been listed on the Hong Kong Stock Exchange since 24 June 2015 and 12 December 2013 respectively. The fund raised from the issuance of the Convertible Bonds and the Bond are for the purpose of general corporate use.

As at 30 June 2017, total interest-bearing debt of the Group was RMB15,148,867,000 (31 December 2016: RMB14,684,380,000). In terms of maturity, the outstanding total interest-bearing debt (excluding the Convertible Bonds and the Bond) can be divided into RMB7,126,388,000 repayable within one year, RMB1,657,790,000 repayable after one year but within two years and RMB1,286,963,000 repayable after two years but within five years. In terms of currency denomination, the outstanding total interest-bearing debt can be divided into RMB9,320,327,000 in Renminbi and RMB5,828,540,000 in US$.

At 30 June 2017, the Group's net interest-bearing debt (total interest-bearing debt minus bank balances and cash) to equity ratio (including non-controlling interests) (the "net gearing ratio") was 56% (31 December 2016: 63%). Although the financial position of the Group is stable and the potential financing capacity is strong, the Group will continue to take the relatively stable financial policies and to control the net gearing ratio at the industry average level.

The monetary assets and liabilities and business transactions of the Group are mainly carried and conducted in RMB, US$ and HKD. The Group maintains a prudent strategy in its foreign exchange risk management, where foreign exchange risks are minimized via balancing the monetary assets versus monetary liabilities. As the Convertible Bonds and the Bond were denominated in US$, while the Group conducts its sales, receivables, payables and expenditures in RMB for its PRC property development business, the management will closely monitor the volatility between RMB and US$ exchange rates and might consider hedging should the need arises.

NON-COMPETITION DEED

To minimise actual and potential competition, the Group and CMPD entered into a non-competition deed on 19 June 2013 as amended and supplemented on 4 October 2013 (the "Non-Competition Deed"). On 30 December 2015, the Company, CMPD and CMSK[Note 1] had entered into a deed of amendment and novation ("Novation Deed") pursuant to which all the obligations, undertakings, interests and benefits of CMPD under the Non-Competition Deed were novated to and undertaken by CMSK in replacement of CMPD as if CMSK has been a party to the Non-Competition Deed in substitution of CMPD with effective from 30 December 2015. Other than that, all the other terms of the Non-Competition Deed shall remain unchanged[Note 2].

Pursuant to the Non-Competition Deed (as amended by the Novation Deed), (i) CMSK and its subsidiaries (excluding the Group) ("CMSK Group") will not compete with the Group in the cities of Foshan, Guangzhou, Chongqing and Nanjing ("Target Cities") except for certain operation transitional assets ("Operation Transitional Assets") located in three out of the four Target Cities ("Overlapping Target Cities") which would be retained by CMSK Group but managed by the Group under certain operation agreement entered into between the Group and CMSK; (ii) the Group will not compete with CMSK in 21 other cities in the PRC ("CMSK Cities"); (iii) and the Group will have a right of first refusal to conduct property business in any city in which neither CMSK nor the Group has any property business as at the date of the Non-Competition Deed. For details of the Non-Competition Deed, the Overlapping Target Cities, Operation Transitional Assets and the CMSK Cities, please refer to the section headed "Relationship with the Controlling Shareholders" in the circular of the Company dated 10 October 2013.

The independent board committee comprising all the independent non-executive Directors of the Company, had (i) reviewed the quarterly reports prepared by the Company's management containing latest information on the respective property projects portfolios of CMSK Group and the Group; (ii) carried out a review on the implementation of and compliance with the Non-Competition Deed by CMSK Group and the Group during the six months period ended 30 June 2017; and (iii) confirmed that the terms of the Non-Competition Deed had been complied with by CMSK Group and the Group during the six months period ended 30 June 2017.

The Group will continue focusing on developing its property development business in the 4 Target Cities and the 2 new cities entered in 2014.

Notes:

1. According to the announcements published by CMSK and CMPD on the Shenzhen Stock Exchange, on 30 December 2015, CMSK and CMPD had completed the major asset restructuring and integration exercise pursuant to which, among other things, all assets, liabilities, businesses, employees, contracts and all others rights and obligations of CMPD have been taken up and assumed by CMSK in replacement of CMPD, CMPD was delisted from the Shenzhen Stock Exchange and the shares of CMSK became listed on the Shenzhen Stock Exchange, all with effect from 30 December 2015.

2. In the above paragraphs under the heading of "Non-competition Deed", for the avoidance of doubt, references to CMSK should be construed as referring to CMPD in the context of any time before 30 December 2015.

OUTLOOK AND PROSPECTS

Looking into the second half of the year, the central government places its emphasis on seeking progress while maintaining stability. In such general principle, policies will evolve on a continuous and stable basis. Considering the impact of such regulation, the continuously tightening policy on housing loans and housing and buying restriction plus the local governments' proactive push for the rental market, the growth of transaction volume of commodities housing is expected to increase at a slower pace during the second half of the year, with real estate development and investment to grow at a slower and steady speed in hotspot cities. The Group will continue to stick to its role, closely monitor market trends, rely on the resources advantages of CMG and CMSK, quicken its transformation by adding more light-asset businesses, and develop professional operating platforms, all in a bid to secure better returns for shareholders.

INTERIM DIVIDEND

No interim dividend was declared by the Directors for the six months period ended 30 June 2017 (2016: Nil).

PLEDGE OF ASSETS

As at 30 June 2017, properties for sale located in Chongqing and Guangzhou with carrying values of approximately RMB362,110,000 (31 December 2016: RMB362,110,000) have been pledged to secure bank borrowings amounting to RMB140,000,000 (31 December 2016: RMB170,000,000) granted to the Group.

CONTINGENT LIABILITIES

The Group has contingent liabilities amounted to RMB4,303,499,000 as at 30 June 2017 (31 December 2016: RMB3,636,746,000).

EMPLOYEE REMUNERATION AND RELATIONS

The Group remunerates the employees by reference to their qualifications, experience, responsibilities, profitability of the Group and current market conditions.

As at 30 June 2017, the Group had 629 employees (31 December 2016: 661).

The Group's total expenses on salaries and allowances (including directors' remuneration) for the six months period ended 30 June 2017 was approximately RMB123,650,000 (2016: RMB85,586,000). Apart from basic salaries, fringe benefits such as contributions to the state-managed retirement benefit schemes and MPF scheme and group medical insurance are also offered to the employees. Appropriate trainings have been provided to employees throughout the six months period ended 30 June 2017. A share option scheme was adopted at the annual general meeting of the Company held on 27 September 2011 (the "2011 Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of the Group's operations. No options had been granted under the 2011 Share Option Scheme during the six months period ended 30 June 2017 and since its adoption.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months period ended 30 June 2017, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee comprises two independent non-executive Directors and one non-executive Director. Dr. Wong Wing Kuen, Albert, chairman of the Audit Committee, has the appropriate professional qualification and experience in financial matters as required by the Listing Rules. The Audit committee is responsible for reviewing the financial reports, internal control principles and for maintaining an appropriate relationship with the external auditor. The Audit Committee and the external auditor of the Company have reviewed the Group's unaudited consolidated financial statements for the six months period ended 30 June 2017, including the accounting principles and practices adopted by the Group.

SPECIFIC PERFORMANCE OBLIGATIONS RELATING TO CONTROLLING SHAREHOLDERS

Save as disclosed below, the Directors are not aware of any circumstances which would be required to disclose herein pursuant to the requirements under Rule 13.21 of the Listing Rules.

- On 31 December 2014, the Company as borrower confirmed its acceptance of a term loan facility relating to a USD100,000,000 committed term loan facility with a bank which has a term of 36 months commencing from the date of initial drawdown.

- On 31 May 2016, the Company as borrower entered into a loan agreement relating to a RMB640,000,000 term loan facility with a bank which has a term of 36 months commencing from the date of initial drawdown;

- On 15 May 2017, the Company as a borrower entered into a facility agreement with a bank in relation to a term loan facility of up to RMB600,000,000 which has a term of 36 months commencing from the date of initial drawdown.

The following events would trigger breach of one or more of the above mentioned loan agreements:

(i) CMSK ceases to beneficially own (directly or indirectly) at least 40% of the issued share capital of the Company;

(ii) CMSK ceases to beneficially own (directly or indirectly) at least 50% of the issued share capital of the Company;

(iii) CMSK ceases to beneficially own (directly or indirectly) at least 51% of the issued share capital of the Company;

(iv) the shares of CMSK ceases for any reason to be listed on the Shenzhen Stock Exchange (or its successor) or such listing is suspended for more than 15 consecutive trading days due to non-compliance with the rules of the Shenzhen Stock Exchange (or its successor) or breach of any undertaking given to the Shenzhen Stock Exchange (or its successor);

(v) CMG ceases to be the single largest shareholder of CMSK (beneficially owned, directly or indirectly, the largest proportionate shareholding or ownership interest in CMSK from time to time) and ceases to beneficially own, directly or indirectly, at least 40% of the entire shareholding or ownership interest in CMSK; or

(vi) CMG ceases to be controlled by The State-owned Assets Supervision and Administration Commission of the State Council of the PRC or any other similarly empowered authorities of the PRC government.

The loan agreements dated 31 December 2014, 31 May 2016 and 15 May 2017 mentioned above contain cross default provisions so that if the Company or any of its subsidiaries commits a default under any other loan agreement(s) to which it is a borrower that entitles any creditor to declare any borrowed monies under such loan agreement(s) due and payable and the amount in aggregate exceeds US$15,000,000, or its equivalent in other currencies it will also constitute an event of default under those loan agreements.

Details of the above mentioned loan agreements made pursuant to the requirements of Rule 13.18 of the Listing Rules were disclosed in the announcements of the Company dated 31 December 2014, 31 May 2016 and 15 May 2017 and the subsequent interim report/annual report of the Company respectively.

As at 30 June 2017, the aggregate outstanding principal of loans owed by the Group under the above loan agreements were US$100,000,000 and RMB1,040,000,000.

CORPORATE GOVERNANCE CODE

The Company had complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules during the six months period ended 30 June 2017, save that:

Code Provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. The non-executive Directors and all the independent non-executive Directors do not have specific terms of appointment. However, all of them are subject to retirement by rotation and re-election at annual general meeting according to the Company's articles of association.

Code Provision A.6.7 stipulates that independent non-executive Directors and other non-executive Directors should attend general meetings, and develop a balanced understanding of the views of shareholders. Mr. Xu Yongjun and Ms. Liu Ning, both are non-executive Directors and Dr. Shi Xinping and Mr. He Qi, an independent non-executive Director, did not attend the annual general meeting (the "AGM") and extraordinary general meeting (the "EGM") of the Company held on 28 April 2017 due to other business engagement. However, there were sufficient executive Directors, independent non-executive Directors and non-executive Directors present to enable the Board to develop a balanced understanding of the views of the Company's shareholders.

Code Provision E.1.2 stipulates that the chairman of the Board should attend the annual general meeting. Mr. Xu Yongjun, chairman of the Board, could not attend the AGM held on 28 April 2017 due to other business engagement which was a deviation from Code Provision E.1.2. However, he had appointed Mr. Huang Junlong, a non-executive Director as his alternate director who chaired the AGM and answered questions for shareholders of the Company.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a code of conduct for securities transactions by Directors of the Company on terms no less exacting than the required standard under the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry to all Directors, the Company confirmed that all Directors had complied with the required standard set out in the Model Code for the six months period ended 30 June 2017.

On behalf of the Board
XU Yongjun
Chairman

Hong Kong, 23 August 2017

As at the date of this announcement, the Board comprises Mr. XU Yongjun, Mr. HUANG Junlong, Dr. YAN Chengda and Ms. LIU Ning as non-executive Directors; Dr. SO Shu Fai, Mr. YU Zhiliang and Mr. WONG King Yuen as executive Directors and Dr. WONG Wing Kuen, Albert, Ms. CHEN Yanping, Dr. SHI Xinping and Mr. HE Qi as independent non-executive Directors.